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 CENTRAL INTELLIGENCE AGENCY REPORT NO.

## INFORMATION REPORT

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SUBJECT USIA Sales and Other Developments

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Soviet Policy Regarding USIA Sales

1. It is more and more apparent that USIA's widespread sales reflect a Soviet policy to unload all USIA property not essential to maintaining current production of USIA firms in order to amass large cash reserves of schillings. Soviet officials have directed USIA sales offices and firms to encourage all prospective customers and if necessary after negotiations to accept a compromise price. Meanwhile USIA is reviewing and reducing prices of many products which heretofore have been so expensive that they have been forced out of competition on the Austrian market. USIA employees allege that this is the first time that the Soviets have been willing to accept a reduction in profit merely to increase the volume of USIA sales.
2. At the same time, USIA officials are also trying to increase the output of USIA factories and to promote the sale of products from current production. In recent weeks, since the devaluation of the Austrian schilling, USIA officials have been seriously studying Austrian export-import regulations with a view to expanding USIA's export trade.
3. Implementation of this Soviet policy to increase USIA's business may be handicapped by certain conditions prevalent throughout USIA enterprises. USIA employees point to USIA's Metallurgical Administration which in order to get rid of unsalable products has resorted to a system of tie-in sales (Kupplungsverkäufe). For example, customers who purchase band iron from Berndorfer Metallwarenfabrik A.G. are required to purchase a comparable amount of silver cutlery from this same firm.
4. The following illustrations are cited by USIA employees in firms administered by A/O Avtovelo, Automotive and Fine Mechanics Department of USIA, as examples of some of the problems which the Soviets must solve in order to increase USIA's domestic as well as foreign trade:

- a)   an employee of the USIA-controlled Draeger G.m.b.H., this firm is using obsolete production methods and equipment which prevent it from putting on the market two new products, the Metallisations Pistole (sic) and a new anesthetizing and respiratory apparatus which is now being tested in Soviet clinics in Vienna. Draeger is also unable to find customers for its autogenous welder and industrial gas masks (Atemschutzgeräten).

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- b) As a result of recent Soviet orders for machinery for the manufacture of barrels (Fassmaschinen) and because Boehler Gebr. & Co. A.G. sells seamless pipe cheaper than pipe formerly manufactured by Kromag A.G., production of this USIA firm is now limited primarily to spare parts and hand pumps for bicycles and motorcycles.
- c) An employee of Wiener Werkzeug-u. Werkzeugmaschinenfabrik, Ing. Frank & Co., alleges this firm could expand its domestic as well as foreign business if it were not working solely on Soviet orders and could devote its production facilities to the manufacture of twist drill grinding machines. At present, screw cutting and milling tools manufactured by this USIA firm are too expensive to compete on the open market.
- d) Limited production and strong competition from French, Belgian, Italian, Czechoslovak, and Hungarian firms have seriously curtailed the business of Hirtenberger Patronenfabrik. At present Hirtenberger Patronenfabrik has a supply of only 20 kilograms of leaf powder, an essential raw material used in the manufacture of cartridges which must be purchased outside of Austria.
- e) Kloeckner-Humboldt-Deutz is losing foreign trade because it is equipped to manufacture only Type J-120, 10 to 12 horsepower Diesel motors and there are no immediate prospects for enlarging plant facilities to manufacture larger Diesel motors.
- f) "Auwerk" Gebrüder Eichenauer Stahlwarenfabrik, Hainfeld, now manufactures only 0.10 mm razor blades for an export price of 144 schillings per 1,000. Since U.S. and German-made razor blades are of superior quality and less expensive, USIA is having trouble selling "Auwerk" razor blades.

SMV Sales

- 5. USIA employees learned recently that this Soviet sales policy is being applied to the Soviet Oil Administration (SMV), which is now trying to sell large quantities of raw materials, used equipment, and various types of property dismantled from SMV installations. Last week the SMV circulated throughout USIA purchasing offices a comprehensive list of sales items valued at 5,440,524 schillings which are to be sold for an initial price of 3,723,215 schillings. USIA purchasing agents who studied the SMV list noted that the SMV is selling some property from enterprises which are not 100 percent German assets and they also noted a separate list of equipment to be sold from SMV installations in Moosbierbaum. This list is so comprehensive that it seems probable that the SMV plans to liquidate all of its holdings in this area.\*\*

USIA Purchases

- 6. A month ago, the A/O Avtovelo Sales and Purchasing Office telegraphed "Kovo" A.G. Prague II, Jungmanova 29, regarding an immediate purchase of "Velox" leaf powder urgently needed for Hirtenberger Patronenfabrik cartridges. This inquiry was never acknowledged but recently Franz ELICHARSKI, Vienna representative of "Kovo" A.G., Vienna IV, Schikaneder-gasse 2, informed A/O Avtovelo that because of a number of outstanding orders this commodity, which costs \$395 per 100 kilograms, will not be available for export to USIA until May 1950. Consequently the A/O Avtovelo Purchasing Office ordered 500 kilograms of leaf powder from "Chemolimpex", Budapest 5, Nador Utca 7.

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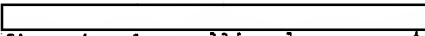
Ball bearings offered to USIA


7. Ernst KOHSEM, Vienna VI, Linke Wienzeile 4, has offered USIA "Engpassmaterial" (sic) including 18,000 assorted ball and roller bearings, 30 tons of 99.46 percent pure aluminum, and all types of tools. KOHSEM seems to be unusually anxious to promote this sale.

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25X1A \*  Comment:  DDSC, Soviet-controlled Danube shipping firm, is also selling large quantities of equipment and materials.

25X1A \*\*  Comment: SMV sales from Moosbierbaum have been reported on a number of occasions. This allegation has subsequently been confirmed by inventory lists of SMV sales which will be published shortly.

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